

Institute *for*  
**Policy Integrity**

NEW YORK UNIVERSITY SCHOOL OF LAW

September 6, 2019

**To:** Minnesota Pollution Control Agency, Minnesota Department of Commerce

**CC:** Minnesota Public Utilities Commission

**Re:** In the Matter of Establishing an Updated Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minn. Stat. § 216H.06  
Docket No. E999/DI-19-406, Docket No. E999/CI-07-1199

The Institute for Policy Integrity (“Policy Integrity”)<sup>1</sup> respectfully submits the following comments to the Minnesota Pollution Control Agency (“MPCA”) and the Minnesota Department of Commerce, Division of Energy Resources (“Department”) (together, “the Agencies”) in response to their July 9, 2019 Request for Comments (“Request”) on the range of cost estimates for the future cost of carbon dioxide (“CO<sub>2</sub>”) regulation on electricity generation.

Policy Integrity is a non-partisan think tank dedicated to improving the quality of government decisionmaking through advocacy and scholarship in the fields of administrative law, economics, and public policy. Policy Integrity regularly conducts economic and legal analysis on the appropriate use of the social cost of carbon, with an emphasis on electricity decisionmaking.

Among other questions, the Agencies ask for comments on “whether the application scenarios listed in the [Public Utility] Commission’s June 11, 2018 Order remain reasonable and appropriate.” That Order requires utilities to consider alternative resource planning scenarios using a range of both regulatory costs and environmental costs.

On June 11, 2018, the Minnesota Public Utilities Commission (PUC) issued an order designed to reconcile the regulations under Minn. Stat. § 216B.2422 and Minn. Stat. § 216H.06, both of which require utilities to place a value on greenhouse gas emissions in resource planning proceedings. Minn. Stat. § 216B.2422 subd. 3 requires the PUC to “quantify and establish a range of environmental costs associated with each method of electricity generation,” and in turn, requires utilities to “use the values established by the commission . . . when evaluating and selecting resource options in all proceedings before the commission.”<sup>2</sup> Minn. Stat. § 216H.06 requires the PUC to “establish an

---

<sup>1</sup> Policy Integrity is based at New York University School of Law; no part of these comments purports to present the views, if any, of New York University or its School of Law.

<sup>2</sup> Minn. Stat. § 216B.2422 subd. 3(a).

estimate of the likely range of costs of future carbon dioxide regulation on electricity generation,” to be used “in all electricity generation resource acquisition proceedings.”<sup>3</sup>

Accordingly, the June 2018 order requires utilities to use a range of \$5-\$25 per short ton for carbon dioxide regulatory costs in their resource planning, and continue to use an environmental carbon dioxide cost, as set by the PUC’s January 2018 order. The PUC’s environmental externality cost estimates are based on the IWG social cost of greenhouse gases estimates, using the 5-percent and 3-percent discount rates with a shortened time horizon.<sup>4</sup> The environmental cost in year 2025, when the new regulatory cost numbers will take effect, would be between \$10.67 and \$49.75 (in 2018 dollars) per short ton. Under the June 2018 order, utilities are required to include scenarios with the high and low end values for both the regulatory cost and the environmental cost in their resource acquisition planning.

These comments focus on the proposed scenarios from the June 2018 PUC order. Specifically, Minnesota should continue to require utilities to use environmental externality costs based on the best available science and economics in their resource planning.

### **Minnesota should continue to require utilities to account for climate damages**

As the agencies know, valuing climate damages monetarily is an important tool for state decisionmakers seeking to maximize social welfare. This valuation includes the costs of greenhouse gas emissions, spanning property damage, health impacts, and crop losses, which are not already captured by the market. Using such a damage cost approach is the only way to capture all of the externalities caused by greenhouse gas emissions, which the PUC has indicated is required by Minn. Stat. § 216B.2422 subd. 3.<sup>5</sup>

Incorporating climate change considerations into electricity policy by putting a dollar value on the harms from each additional ton of greenhouse gas pollution can help regulators evaluate which policy options and make rational decisions. Similarly, it can help utilities weigh the relative costs and benefits of different resource mixes that are not accounted for elsewhere.

We applaud Minnesota for continuing to be a leader among states on incorporating environmental externalities into electricity policy, and we encourage the State to rely on the best available science and economics to set the externality price of carbon dioxide. The PUC has already acknowledged that the Interagency Working Group social cost of greenhouse gases estimates meet these conditions. Specifically, on January 3, 2018, the Minnesota Public Utilities Commission’s issued its final written order designating the IWG approach to the social cost of greenhouse gases as the “best framework in the record from which to establish a range of environmental costs associated with CO<sub>2</sub> emissions for purposes of Minnesota’s Environmental Cost Statute.”<sup>6</sup> The Commission explained, “The degree of

---

<sup>3</sup> Minn. Stat. § 216H.06.

<sup>4</sup> *In the Matter of the Further Investigation into Environmental and Socioeconomic Costs Under Minnesota Statutes Section 216B.2422, Subdivision 3*, Docket No. E-999/CI-14-643, Order Updating Environmental Cost Values, at 31 (January 3, 2018), available at: <https://www.edockets.state.mn.us/Efiling/edockets/searchDocuments.do?method=showPoup>

<sup>5</sup> *See id.* at 5 (When an economic activity imposes a cost or benefit on an unrelated third party, the cost or benefit is known as an economic external cost or “externality.” In particular, generating electricity by burning fossil fuels imposes costs on society by releasing pollutants—the byproducts of combustion—into the atmosphere... The Environmental Cost Statute requires that the Commission, “to the extent practicable, quantify and establish a range of environmental costs associated with each method of electricity generation.” This, in essence, is a requirement to determine the costs imposed on the public by pollution from power plants.”).

<sup>6</sup> *Id.*

rigor employed in the development of these cost values, and the timeliness of the underlying data and analyses, far exceeds any other framework in the record . . . The modeling inputs and parameters relied on the most credible and widely used sources of information in the scientific literature.”<sup>7</sup> The Commission adopted the range of IWG values, with some modifications, for evaluating environmental costs as required by state statute.

We also remind the agencies and the PUC that, per our July 26, 2017 comments, the 2016 Interagency Working Group social cost of greenhouse gases remain the best available estimates and any “interim” estimates being used by federal agencies are flawed and should not be used.

### *Other States Are Following Minnesota’s Lead*

With regard to utility resource planning, a number of states have followed Minnesota’s lead and used the IWG social cost of greenhouse gases as the starting point for their carbon dioxide externality values. This growing body of policy points towards best practices for state decisionmakers to account for climate damages in electricity policy.

For example, in August 2018, the Nevada Public Utilities Commission updated its IRP regulations to require utilities to “calculate[e] the present worth of societal costs for each alternative plan” by “estimat[ing] the level of environmental costs resulting from carbon dioxide emissions for that year and the social cost of carbon,” using the “best available science and economics,” such as the IWG estimates.<sup>8</sup>

Similarly, in May 2018, the Washington State Utilities and Transportation Commission’s approval letters for three Integrated Resource Plans recommended that the utilities use the Interagency Working Group estimates of the social cost of carbon in future IRPs.<sup>9</sup> In early 2019, the state enacted a law requiring the use of the social cost of carbon in utility resource planning.<sup>10</sup>

Finally, in March 2017, the Colorado Public Utility Commission required Xcel Energy to use the social cost of carbon in a sensitivity analysis for its Electric Resource Plan.<sup>11</sup> The state legislature passed a bill in early 2019 requiring the utility commission and utilities to evaluate “the cost of carbon dioxide emissions” in resource planning.<sup>12</sup>

A growing number of states continue to use the social cost of carbon in a number of ways to design rational electricity policies that advance the social welfare of their citizens.<sup>13</sup> The Commission should ensure that Minnesota maintains its role among states as a leader on sensible energy and climate

---

<sup>7</sup> *Id.*

<sup>8</sup> Nev. Pub. Util. Comm’n, Investigation and Rulemaking to Implement Senate Bill 65 of 2017, Docket No. 17-07020 (Aug. 5, 2018), [http://pucweb1.state.nv.us/PDF/AxImages/DOCKETS\\_2015\\_THRU\\_PRESENT/2017-7/32153.pdf](http://pucweb1.state.nv.us/PDF/AxImages/DOCKETS_2015_THRU_PRESENT/2017-7/32153.pdf) (recommending the use of the “best available” estimates from the Interagency Working Group on Social Cost of Greenhouse Gases issued in August 2016).

<sup>9</sup> Wash. Util. & Transp. Comm’n, Press Release, Energy Regulators Want Closer Look at Utilities’ Coal Plant Costs (May 7, 2018), <https://www.utc.wa.gov/aboutUs/Lists/News/DispForm.aspx?ID=527>.

<sup>10</sup> Wash. Sen. Bill. 5116 (signed by Gov. Inslee on May 7, 2019).

<sup>11</sup> Colo. Pub. Util. Comm’n, Decision No. C17-0316, In the Matter of the Application of Public Service Company of Colorado for Approval of its 2016 Electric Resource Plan, Proceeding No. 16A-0396E, available at: [http://coseia.org/wp2016/wp-content/uploads/2017/05/ERP-Decision-C17-0316\\_16A-0396E-1.pdf](http://coseia.org/wp2016/wp-content/uploads/2017/05/ERP-Decision-C17-0316_16A-0396E-1.pdf)

<sup>12</sup> Colo. Sen. Bill 19-236 (passed May 3, 2019).

<sup>13</sup> Further details on state use of the IWG social cost of greenhouse gases can be found at <https://costofcarbon.org/states>.

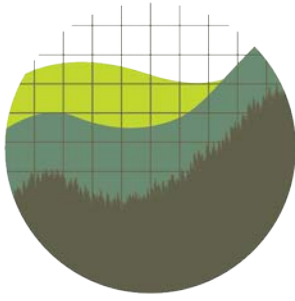
policies, and should continue to require the use of the social cost of carbon in its utility resource planning rules.

Respectfully submitted,

Denise Grab, Western Regional Director

Iliana Paul, Policy Analyst

Institute for Policy Integrity at NYU School of Law



Institute *for*  
**Policy Integrity**

NEW YORK UNIVERSITY SCHOOL OF LAW

CERTIFICATE OF SERVICE

I, Iliana Paul, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing.

Minnesota Department of Commerce - Request for Comments

Docket No. E999/DI-19-406 and E999/CI-07-1199

Dated this 6th day of September 2019

/s/Iliana Paul

Iliana Paul, Policy Analyst  
Institute for Policy Integrity

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jon	Brekke	jbrekke@grenergy.com	Great River Energy	12300 Elm Creek Boulevard  Maple Grove, MN 553694718	Electronic Service	No	OFF_SL_7-1199_1
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	200 S 6th St Ste 4000  Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_7-1199_1
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800  St. Paul, MN 55101	Electronic Service	No	OFF_SL_7-1199_1
Riley	Conlin	riley.conlin@stoel.com	Stoel Rives LLP	33 S. 6th Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_7-1199_1
Stacy	Dahl	sdahl@minnkota.com	Minnkota Power Cooperative, Inc.	5301 32nd Ave S  Grand Forks, ND 58201	Electronic Service	No	OFF_SL_7-1199_1
David	Dahlberg	davedahlberg@nweco.com	Northwestern Wisconsin Electric Company	P.O. Box 9 104 South Pine Street Grantsburg, WI 548400009	Electronic Service	No	OFF_SL_7-1199_1
Curt	Dieren	curt.dieren@dgr.com	L&O Power Cooperative	1302 S Union St  Rock Rapids, IA 51246	Electronic Service	No	OFF_SL_7-1199_1
Brian	Draxten	bhdraxten@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380498	Electronic Service	No	OFF_SL_7-1199_1
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_7-1199_1
Karlene	Fine	kfine@nd.gov	Industrial Commission of North Dakota	14th Floor 600 E. Boulevard Avenue, Dept. 405 Bismarck, ND 58505	Electronic Service	No	OFF_SL_7-1199_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_7-1199_1
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_7-1199_1
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_7-1199_1
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_7-1199_1
Casey	Jacobson	cjacobson@bepc.com	Basin Electric Power Cooperative	1717 East Interstate Avenue  Bismarck, ND 58501	Electronic Service	No	OFF_SL_7-1199_1
Craig	McDonnell	Craig.McDonnell@state.mn.us	MN Pollution Control Agency	520 Lafayette Road  St. Paul, MN 55101	Electronic Service	No	OFF_SL_7-1199_1
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_7-1199_1
Dalene	Monsebroten	dalene.monsebroten@nmpagency.com	Northern Municipal Power Agency	123 2nd St W  Thief River Falls, MN 56701	Electronic Service	No	OFF_SL_7-1199_1
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_7-1199_1
Peter	Nelson	peter.nelson@americanexperiment.org	Center of the American Experiment	8441 Wayzata Boulevard Suite 350 Golden Valley, MN 55426	Electronic Service	No	OFF_SL_7-1199_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_7-1199_1
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351  Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_7-1199_1
Russell	Olson	rolson@hcpd.com	Heartland Consumers Power District	PO Box 248  Madison, SD 570420248	Electronic Service	No	OFF_SL_7-1199_1
Mary Beth	Peranteau	mperanteau@wheelerlaw.com	Wheeler Van Sickle & Anderson SC	44 E. Mifflin Street, 10th Floor  Madison, WI 53703	Electronic Service	No	OFF_SL_7-1199_1
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_7-1199_1
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206  St. Paul, MN 551011667	Electronic Service	No	OFF_SL_7-1199_1
Robert K.	Sahr	bsahr@eastriver.coop	East River Electric Power Cooperative	P.O. Box 227  Madison, SD 57042	Electronic Service	No	OFF_SL_7-1199_1
Christopher	Schoenherr	cp.schoenherr@smpa.org	SMPA	500 First Ave SW  Rochester, MN 55902-3303	Electronic Service	No	OFF_SL_7-1199_1
Kay	Schraeder	kschraeder@minnkota.com	Minnkota Power	5301 32nd Ave S  Grand Forks, ND 58201	Electronic Service	No	OFF_SL_7-1199_1



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_7-1199_1
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_7-1199_1
Pat	Treseler	pat.jcplaw@comcast.net	Paulson Law Office LTD	4445 W 77th Street Suite 224 Edina, MN 55435	Electronic Service	No	OFF_SL_7-1199_1
Elizabeth	Wefel	eawefel@flaherty-hood.com	Flaherty & Hood, P.A.	525 Park St Ste 470  Saint Paul, MN 55103	Electronic Service	No	OFF_SL_7-1199_1
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE  Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_7-1199_1
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	OFF_SL_7-1199_1

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800  St. Paul, MN 55101	Electronic Service	No	SPL_SL_19-406_19-406
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	SPL_SL_19-406_19-406
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	No	SPL_SL_19-406_19-406
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	SPL_SL_19-406_19-406